



EJF

FINANCIALS 101

HOW TO WHAT TO WHEN TO
FINANCIAL REVIEW

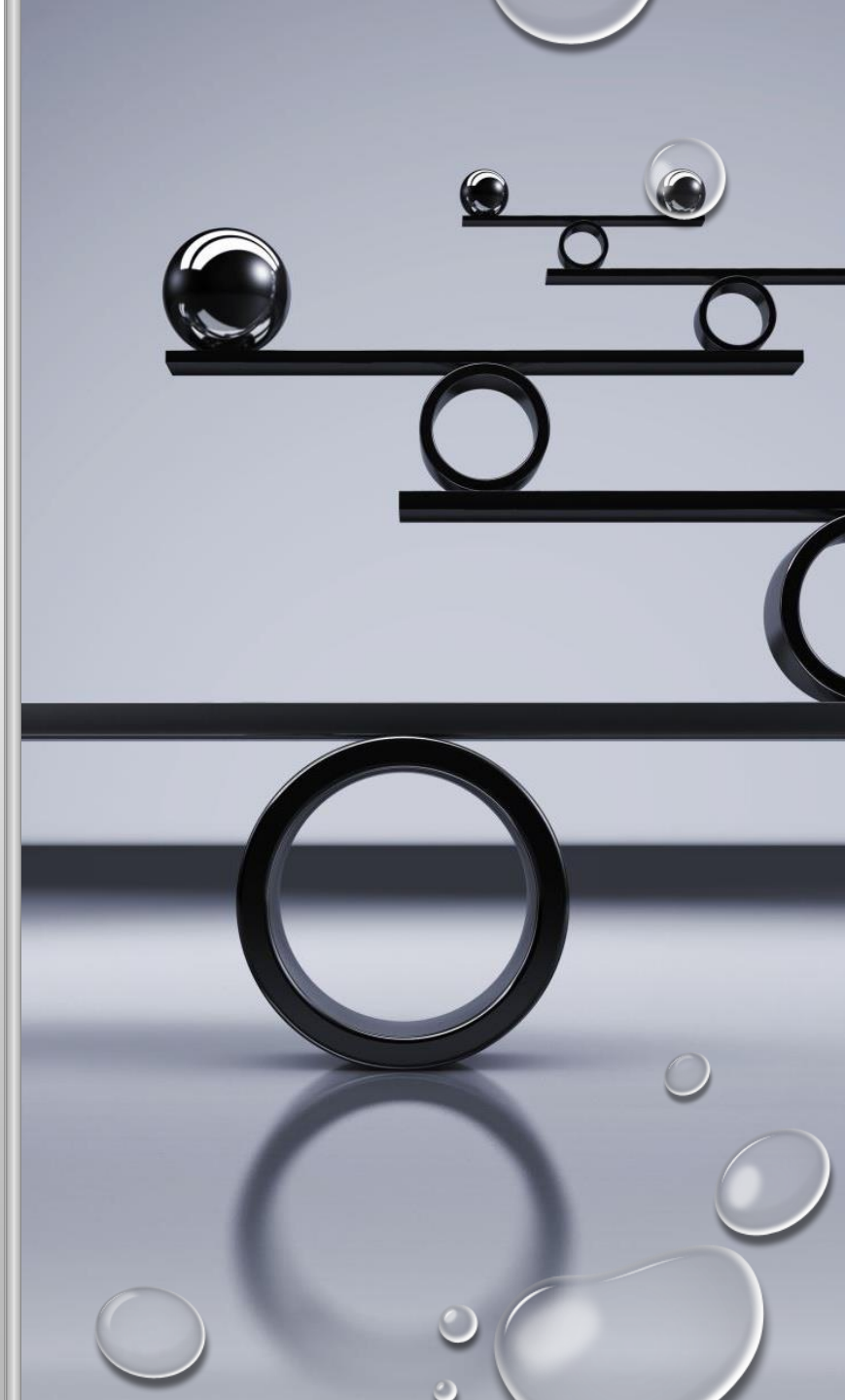
BALANCE SHEET

ASSETS, LIABILITIES AND EQUITY

$$A=L+E \text{ OR } A-L=E$$

- WHAT WE HAVE: **ASSETS** CASH, AR
LESS WHAT WE OWE: **LIABILITIES** OBLIGATIONS: AP, LOANS
EQUALS: NET INCOME OR LOSS **EQUITY**

ASSETS: 1000 LIABILITIES: 500 EQUITY: 500



BALANCE SHEET REVIEW



- ASSETS: TYPICAL: CASH AND ACCOUNTS RECEIVABLE
 - CASH: VERIFIED BY BANK STATEMENT RECONCILIATION
- ACCOUNTS RECEIVABLE: (OWED BUT NOT PAID)
 - VERIFIED BY AR AGING
- LIABILITIES: TYPICAL: PREPAID ASSESSMENTS, ACCOUNTS PAYABLE, LOANS
 - VERIFIED BY AP AGING, LOAN STATEMENTS, INTERNAL REPORTS
- RESERVE EQUITY: OPENING BALANCE PLUS CONTRIBUTIONS MINUS SPENDING= RESERVE EQUITY
 - LOOK AT RESERVE TRANSFERS AND RESERVE SPENDING
- MEMBERS EQUITY: CURRENT YEARS NET INCOME OR LOSS AND PRIOR YEARS RETAINED EARNINGS OR LOSS

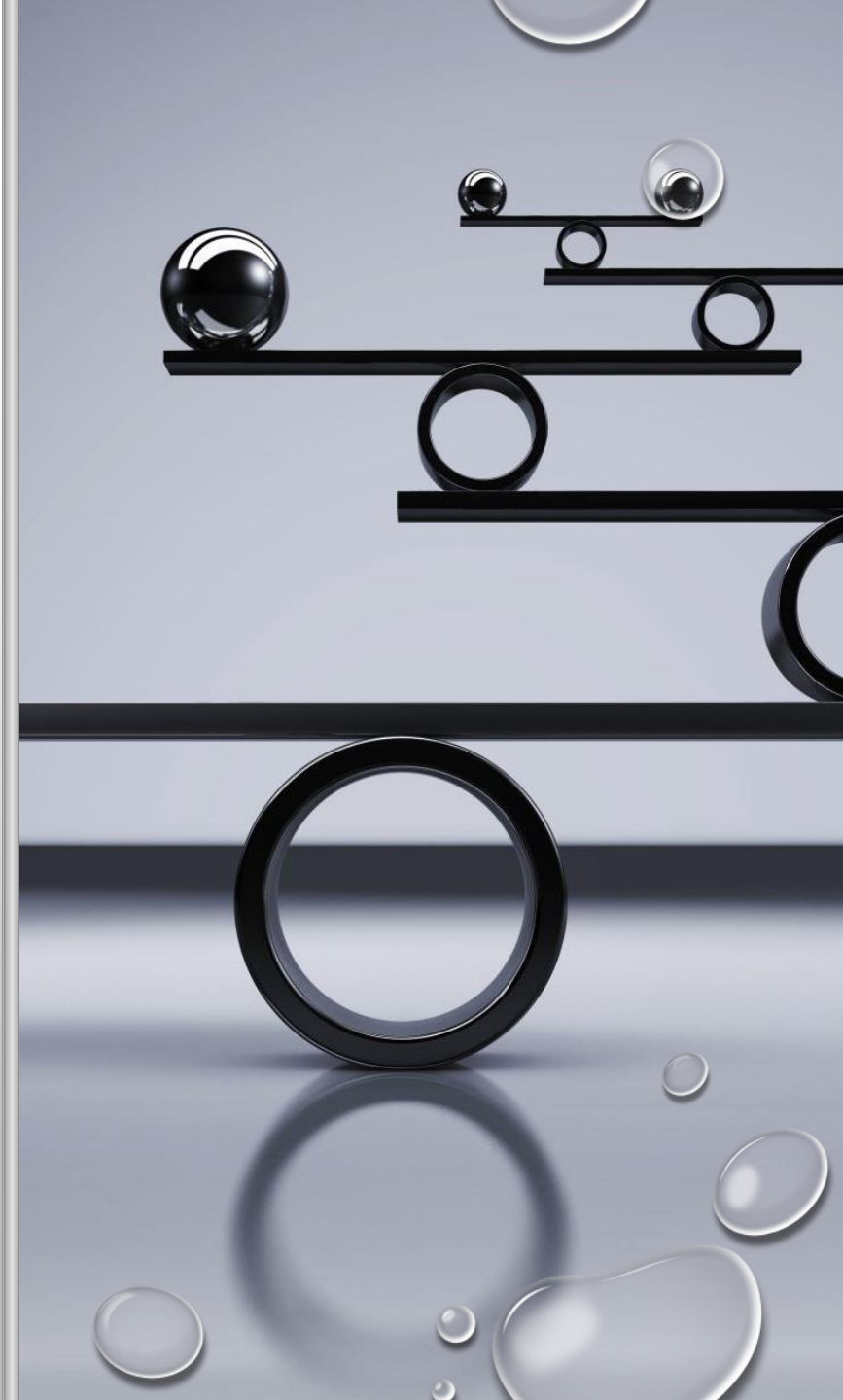


STATEMENT OF REVENUES AND EXPENSES

REVENUE - EXPENSES = NET INCOME

- **REVENUE:** ASSESSMENTS
 - AND PERHAPS OTHER REVENUE DEPENDING ON THE COMMUNITY
- **EXPENSES:** OPERATING EXPENSES
 - PRESENTED IN COMPARISON TO OPERATING BUDGET
- **NET INCOME:** INCOME OR LOSS FOR THE PERIOD

REVENUE: 1000 - EXPENSES 500 = NET INCOME 500



STATEMENT OF REVENUE AND EXPENSES: REVIEW

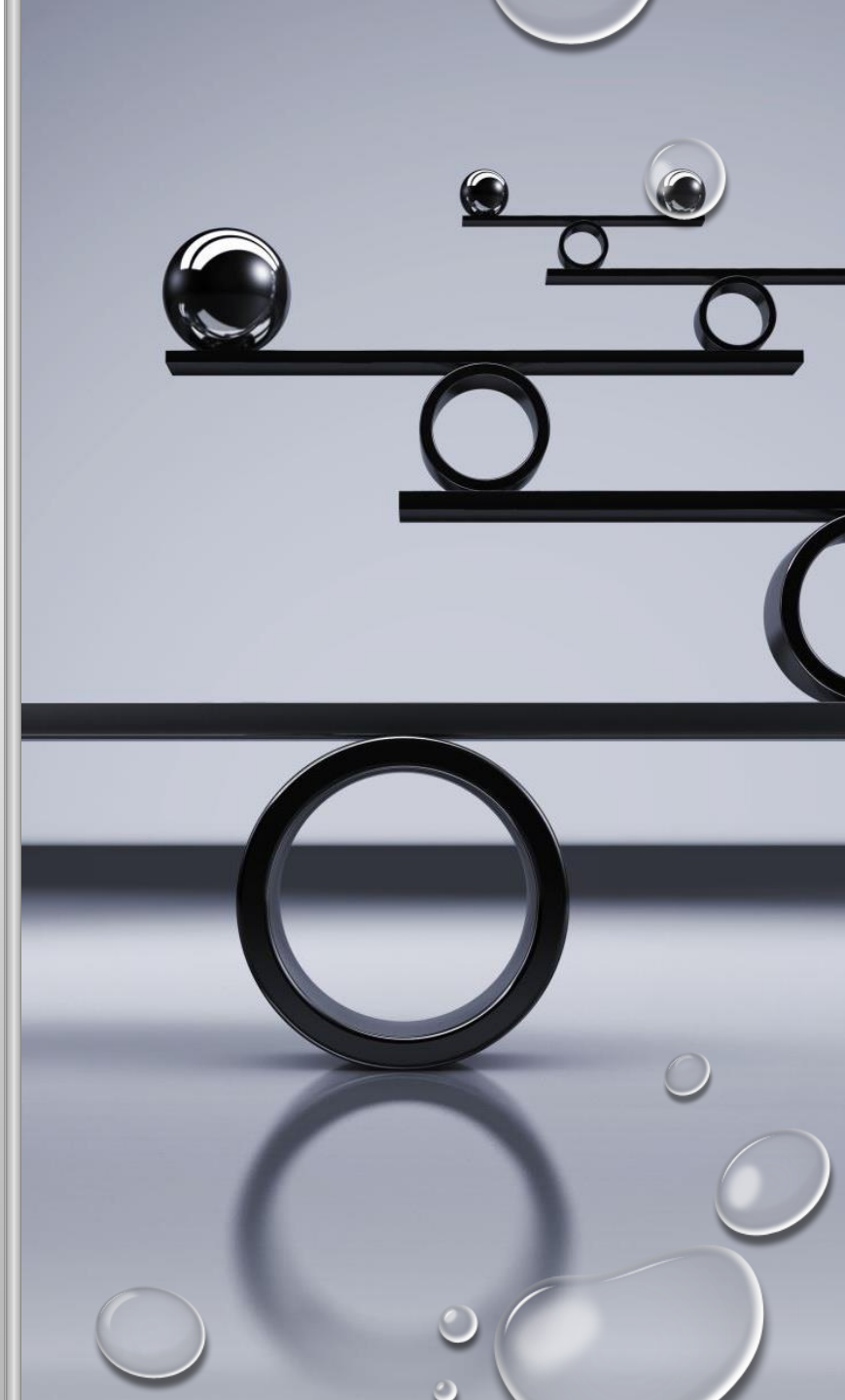


- LOOK AT ASSESSMENTS
 - ARE THEY POSTED CORRECTLY
- LOOK AT EACH CATEGORY OF EXPENSES AND COMPARE BUDGETED TO ACTUAL EXPENSES;
 - ARE WE OVER OR UNDER AND WHY
 - LOOK AT BIG EXPENSES
 - LOOK AT R&M FOR ITEMS THAT SHOULD NOT BE THERE
 - LOOK AT UTILITIES
- LOOK AT RESERVE TRANSFERS
 - VERIFY RESERVE TRANSFER IS MADE EACH MONTH
- IF YOU FIND AN ERROR OR HAVE A QUESTION REACH OUT TO YOUR CAM AND OR CFM TEAMS

OTHER REPORTS IN THE FINANCIAL PACKAGE

- **SUMMARY STATEMENT OF REVENUE AND EXPENSES**
 - 12 MONTH ROLLING REPORT, MOSTLY FOR LOOKING AT TRENDS
 - THIS IS NOT FOR THE CURRENT YEAR; IT IS THE 12 MONTHS ENDING THIS MONTH
- **ACCOUNTS RECEIVABLE AGING**
 - SUMMARY BY TYPE OF CHARGE AND DETAIL BY HO
 - *THIS IS A CONFIDENTIAL REPORT*
- **GENERAL LEDGER TRIAL BALANCE**
 - THE INDIVIDUAL TRANSACTIONS FOR THE PERIOD
 - THE ITEM BY ITEM DETAIL OF THE SUMMARIZED AND TOTALED VALUES IN THE STATEMENT OF REVENUES AND EXPENSES
- **BANK RECONCILIATION**
- **BANK STATEMENT(S)**

CONFIDENTIAL : NOT FOR DISTRIBUTION: NOT FOR USE WHICH IS UNINTENDED



RESERVE FUND

EVERY ASSOCIATION SHOULD HAVE A RESERVE FUND

- THE BEST WAY TO BUILD A RESERVE FUND IS BASED ON A RESERVE STUDY
 - FROM A FINANCIAL HEALTH POINT OF VIEW: A FULLY FUNDED RESERVE FUND IS GREAT
- ABSENT A RESERVE FUND,
 - BEST PRACTICE SUGGESTS 20% TO 25% OF ANNUAL ASSESSMENT SHOULD GO TO RESERVES
 - AND NEXT YEAR: WE BUDGET FOR A RESERVE STUDY AND THEN FOLLOW THAT AND BUILD A HEALTHY RESERVE FUND
- WE INVEST THE FUND WISELY AND BUILD ON TOP OF OUR CONTRIBUTIONS

TO THAT END, WE HAVE DAVID READ FROM COMMON AREA TO TALK TO US ABOUT RESERVE BUILDING

